

Department of Alcohol and Drug Programs:

**A Review of the Actuary's Report
on the 1996 Survey of Treatment
Providers**

February 1997
96039.2

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February 19, 1997

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

Chapter 197, Section 54(d), Statutes of 1996 (legislation), requires the Department of Alcohol and Drug Programs (department) to develop a survey to be issued to all counties for distribution to drug and alcohol treatment providers. In addition, Section 54(e) requires the survey data to be collected and analyzed by an actuarial firm and validated by the Bureau of State Audits. This letter is intended to fulfill our obligation to validate the survey data.

The legislation lists specific information that the department was to obtain, including information about the number of clients admitted and discharged from treatment, clients' previous treatment episodes, and the types of services offered to clients and/or their families. In addition, the legislation requires the department to determine each county's timelines for allocation of funds and reimbursement of costs.

The department obtained the required information from three sources. First, the department sent surveys to 889 treatment providers and requested each provider to prepare a separate survey for each program type. In addition to the provider surveys, the department also supplied the actuary with information from the California Alcohol and Drug Data System (CADDs).¹ Finally, the department conducted a supplemental survey to determine each county's procedures and timelines for allocation of funds and reimbursement of costs.

¹ The CADDs collects data from the department's alcohol and drug treatment providers. The CADDs allows the department to identify characteristics of those receiving publicly-funded services. Specific information includes admissions, discharges, and type of service received.

To validate the data collected and analyzed by the actuarial firm, we reviewed the department's records, the surveys completed by the providers, and the January 10, 1997, report prepared by the actuarial firm, William M. Mercer, Incorporated (Mercer) entitled "State of California Department of Alcohol and Drug Programs AB3483 Sec.54(c) & (d) /Chapter 197, Statutes of 1996 Report." In its report, Mercer noted a lack of consistency of services provided, by each provider, in each program type. It concluded that this lack of consistency might explain county-by-county variances in rates. (Mercer conducted a rate study, under Section 54(c), that was not reviewed by the Bureau of State Audits.)

To determine that the CADDs data provided to Mercer was complete and accurate, we reviewed the department's controls over the CADDs. We verified that the CADDs information was correctly recorded and summarized by Mercer by reconciling the department's records to the Mercer report. In addition, we visited seven providers in different counties to verify the accuracy of the providers' CADDs information, including the date the client was discharged. At each location, we reviewed the records for three clients, for a total of 21. To determine that the survey data provided to Mercer was complete and accurate, we monitored the receipt of survey information and its subsequent transfer to Mercer. For a sample of 20 surveys, we also determined that the survey information was correctly recorded and summarized by Mercer. In addition, we visited four providers in different counties to verify the accuracy of the information in their surveys. These providers completed seven surveys.

We found that the department had adequate controls to ensure that the CADDs data provided to Mercer was reasonably accurate and complete. Additionally, the department provided Mercer with all relevant CADDs records and completed survey forms. Finally, Mercer accurately compiled both the CADDs information and the survey responses. However, for the surveys we tested, we found that the providers did not always accurately report client "discharge" information.

Specifically, in our test of survey data, three of the seven surveys had incomplete or inaccurate date of discharge information. For example, in a survey dated October 1, 1996, one provider reported that 140 clients were discharged in September 1996. However, our review of the provider's records on November 19, 1996, indicated that 150 clients had been discharged during September. Because our sample size was limited to seven surveys, we cannot statistically project the error rate in the discharge data. As a

result, we cannot determine what impact, if any, these errors have on the discharge statistics included in Section B(3) of the Mercer report.

Finally, we noted that the department did not provide Mercer with survey data for one item required by Section 54(d)(9). This section requires the department to determine each county's procedures and timelines for allocation of funds and reimbursement of costs. According to the department, instead of providing this data to Mercer, the department will issue a supplemental report that compiles the results of this survey item. As of January 31, 1997, however, the department had not provided us a copy of their report; therefore, we could not validate the survey results for that item.

We conducted this review under the authority vested in the state auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in this report. The information in this report was shared with the department, and we considered its comments.

Respectfully submitted,



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State Auditor

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